

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----291702Z 028783 /41

R 291651Z MAR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6920
INFO USMISSION USBERLIN
AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 05544

EXDIS

E.O. 11652: GDS
TAGS: EAIR, PFOR, UK, WB, GW, FR, US
SUBJECT: CIVAIR: UK PROPOSAL FOR REVIEW OF IGS
SUBSIDIES

REF: BONN 5082

1. AT CAA MEETING MARCH 25, UK CAA HANLEY PRESENTED HMG PROPOSAL FOR REVIEW OF THE FINANCIAL STRUCTURE OF THE IGS (INTERNAL GERMAN SERVICE) AVIATION WITH VIEW TO PERSUADING FRG TO INCREASE SUBSIDIES TO PASSENGERS ON THE IGS AND THEREBY REVENUE TO ALLIED CARRIERS.
2. ACCORDING TO HANLEY, THIS HAS BEEN IN HMG'S MIND SINCE MAY OR JUNE LAST YEAR AND WAS THE REASON HMG APPROVED CAA'S SUPPLYING AIRLINE PERFORMANCE DATA TO THE FRG. AT THAT TIME SENATOR STOBBE OF BERLIN VISITED LONDON AND COMPLAINED THAT THE RECENT IGS FARE INCREASE HAD BEEN MADE WITHOUT SUFFICIENT CONSULTATION WITH THE BCATAG.
3. HMG ENVISAGES APPROACHES TO THE FRG IN BOTH THE
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BCATAG AND THE BONN GROUP. THE STRATEGY WOULD BE, IN THE CONTEXT OF A GENERAL REVIEW OF IGS FINANCES, TO POINT OUT TO THE FRG THAT BECAUSE OF DECREASED PASSENGER VOLUME AND INCREASED TICKET PRICES, THE SUBSIDY WHICH IS DIRECT TO THE PASSENGER IS A MUCH SMALLER PROPORTION OF COSTS THEN IT WAS WHEN SUBSIDY LEVELS WERE SET. THE COSTS OF AVIATION CONTINUE TO

GO UP CAUSING FARE INCREASES WHICH ARE RESENTED BY THE TRAVELER AND THE FEDERAL AND BERLIN GOVERNMENTS AND RESULT IN LOWER PASSENGER VOLUME. A HIGHER SUBSIDY WOULD BE A BETTER WAY TO MEET COST INCREASES.

4. THE UK BELIEVES THAT THEIR PROPOSED REVIEW SHOULD BE UNCONNECTED WITH ANY CONSIDERATION OF A FARE INCREASE PROPOSAL BY THE IGS CARRIERS. THIS PROPOSAL WOULD ALSO BE SEPARATE FROM ANY OVERALL CONSIDERATION OF BERLIN AVIATION SUCH AS THE BONN GROUP STUDY OF 1972.

5. WE CONSIDER THE UK PROPOSAL FOR A SUBSIDY INCREASE TO BE ILL-CONCEIVED, POTENTIALLY VERY HARMFUL AND IN PART NAIVE IF NOT DISINQENUOUS. THE CAA'S HAVE FREQUENTLY FLOATED THE IDEA IN BCATAG AND TO FOREIGN OFFICE THAT THEIR OBJECTIONS TO FARE INCREASES COULD BE RESOLVED BY INCREASED SUBSIDIES. THE FRG INVARIABLY FAILS TO RISE TO THIS BAIT. UNLESS THE ALLIES ARE PREPARED TO MAKE SUBSTANTIAL QUID PRO QUO THERE APPEARS TO BE NO CHANCE OF FRG AGREEMENT TO INCREASE SUBSIDIES.

6. THE ONLY QUID PRO QUO THAT OCCURS TO US THAT MIGHT MAKE THE FRG SO INCLINED IS A CONSIDERABLY ENHANCED FRG VOICE IN THE CONTROL OF BERLIN AVIATION FARES TO

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FM AMEMBASSY BONN
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C O N F I D E N T I A L SECTION 02 OF 02 BONN 05544

EXDIS

THE DEROGATION OF THE TREATY OBLIGATIONS OF THE ALLIES.

JUST THE CALLING OF AN OVER-ALL REVIEW OF IGS FINANCES
WOULD SEEM TO BE A SIGNIFICANT STEP IN THIS DIRECTION,
ESPECIALLY IF IT WERE MADE THROUGH THE BONN GROUP.

7. IF SUCH A REVIEW WERE TO TAKE PLACE INDEPENDENT
OF A FARE INCREASE PROPOSAL, EITHER IT OR THE NEXT
FARE INCREASE PROPOSAL WOULD HAVE TO BE SUBSTANTIALLY
DELAYED. AN ALLIED PROPOSAL FOR INCREASED SUBSIDIES
FOLLOWING WHAT IS CERTAIN TO BE AN EMBITTERING STRUGGLE
OVER FARES WOULD BE EVEN MORE FUTILE THAN SUCH A
PROPOSAL PRESENTED BEFORE A FARE INCREASE EXERCISE.
POSTPONING A FARE INCREASE PROPOSAL MIGHT BE DIFFICULT
IN VIEW OF THE FACT THAT THE CARRIERS NOW ARE ON THE
VERGE OF REQUESTING HIGHER FARES.

8. IN PAST FARE INCREASE EXERCISES, WE HAVE ANSWERED
GERMAN ARGUMENTS THAT FARE INCREASES REDUCE THE ACCESS
OF BERLINERS TO THE OUTSIDE BY POINTING OUT THAT IN-
CREASED COSTS HAVE TO BE MET SOMEHOW AND, IF THEY ARE
NOT PREPARED TO INCREASE SUBSIDIES, FARES MUST RISE.
WE BELIEVE THIS IS AS FAR AS WE SHOULD GO ALONG THIS
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LINE GIVEN THE FACTS OF ALLIED CONTROL OF BERLIN
AVIATION AND THE UNWILLINGNESS OF THE ALLIES TO
CONTRIBUTE TO SUBSIDY COSTS.

9. ACTION REQUESTED: DEPARTMENT VIEWS WOULD BE
APPRECIATED.
STOESSEL

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, SUBSIDIES, SUPPLEMENTAL AIRLINES, NEGOTIATIONS, AIR ROUTES, BERLIN QUADRIPARTITE MATTERS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN05544
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770107-0677
Format: TEL
From: BONN
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770313/aaaaakqz.tel
Line Count: 150
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c44fa1b0-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 77 BONN 5082
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2969969
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: UK PROPOSAL FOR REVIEW OF IGS SIDIES
TAGS: EAIR, PFOR, UK, WB, GE, FR, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/c44fa1b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009